

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

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In re:

Chapter 11

EVELETH MINES LLC,  
d/b/a EVTAC MINING,  
THUNDERBIRD MINING CO.,

Bky. 03-50569 (GFK)

Bky. 03-50641 (GFK)  
Jointly Administered

Debtors.

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**MOTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF  
EVELETH MINES LLC AND THUNDERBIRD MINING CO. FOR AN ORDER  
DISALLOWING THE CLAIM OF THE STATE OF MINNESOTA  
(CLAIM NOS. 96 AND 111)**

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TO: The Honorable Gregory F. Kishel, Chief United States Bankruptcy Judge and the Parties  
set out in Local Rule 3007-1.

1. The Official Committee of Unsecured Creditors of Eveleth Mines LLC, dba  
EVTAC Mining, and Thunderbird Mining Co. (the "Committee") files this Motion (the  
"Motion") objecting to the claims of the State of Minnesota, Claim Nos. 96 and 111.

2. The Court will hold a hearing on the Motion at 1:30 p.m. on December 6, 2004 or  
soon thereafter as counsel may be heard in Courtroom No. 228B, U.S. Courthouse, 316 North  
Robert Street, St. Paul, Minnesota.

3. Any response to the Motion must be filed and delivered not later than  
December 1, 2004 which is three days before the time set for hearing (excluding Saturdays,  
Sundays and holidays), or filed and served by mail not later than November 24, 2004 which is  
seven days before the time set for hearing (excluding Saturdays, Sundays and holidays).

**UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT  
MAY ALLOW THE MOTION WITHOUT A HEARING.**

4. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334, Rule 5005 of the Federal Rules of Bankruptcy Procedures (“Bankruptcy Rules”), and Local Rule 1070-1. This proceeding is a core proceeding. The petition commencing the chapter 11 case of Eveleth Mines LLC, d/b/a EVTAC Mining (“Eveleth”) was filed on May 1, 2003. The petition commencing the chapter 11 case of Thunderbird Mining Co. (“Thunderbird” and together with Eveleth, collectively, the “Debtors”) was filed on May 15, 2003. The cases are now pending in this Court and are being jointly administered.

5. This Motion arises under 11 U.S.C. § 502(b)(1). This Motion is filed under Bankruptcy Rule 9014 and Local Rules 3007-1 and 9013-1 through -3. The Committee requests that the claims of the State of Minnesota against Eveleth, Claim Nos. 96 and 11, be disallowed in their entirety.

6. Pursuant to §§ 502(a) and 1103(c)(5) of the Bankruptcy Code, the Committee has standing as a party in interest to bring this Motion.

### **BACKGROUND**

7. On or about September 9, 2003, the State of Minnesota Department of Revenue (the “State”) filed Claim No. 96 against the Eveleth estate. The claim was filed in the amount of \$8,196,750.21, and was asserted as an unsecured priority claim under section 507(a)(8) of the Bankruptcy Code. The claim asserted that a taconite production tax of \$8,640,155.37 was due and owing for the year 2002. The claim acknowledged that Eveleth had an offset in the amount of \$437,945.85 representing a sales tax credit.

8. Subsequently, on or about October 16, 2003, the State filed an amended proof of claim (Claim No. 111) against the Eveleth estate in the amount of \$8,228,317.60, which was also asserted as an unsecured priority claim under section 507(a)(8). In Claim No. 111 the State

reversed \$31,567.39 of the sales tax credit, but in all other respects is identical to Claim No. 96 (Claim No. 96 and 111 are collectively referred to herein as the “State’s Claim”).

9. The Committee objects to the State’s Claim on the following basis:

1. The Committee objects to the portion of the State’s Claim against the Eveleth estate based on the State’s taconite production tax as Eveleth was not engaged in the production of taconite.
2. If the Court determines that the State’s Claim for a taconite production tax is an allowed priority claim against the Eveleth estate, pursuant to Bankruptcy Code § 502(b)(3), the amount of the Claim must be limited to the value of the property on which the tax is asserted. The Committee believes that the value of Eveleth’s real property is \$0.

A. The Taconite Tax is a Tax On the Mining and Production of Taconite, and Eveleth Did Not Produce Taconite.

10. As set forth in the Memorandum of Law accompanying this Motion, the Minnesota taconite tax is imposed on the act of mining and producing taconite.

11. Eveleth was the owner of mining rights under various mineral leases until the sale of those rights as described in paragraph 15 below.

12. On December 23, 1996, Eveleth and Thunderbird entered into an agreement entitled “EVTAC Employment Services Agreement” (the “Mining Agreement”). In accordance with the terms of the Mining Agreement, the activity of mining and producing iron ore on Eveleth’s real property was carried out by Thunderbird.

EVTAC [Eveleth] hereby employs [Thunderbird], and [Thunderbird] hereby accepts such employment by EVTAC, to provide to EVTAC all labor and manual, clerical, supervisory, technical and professional and administrative services of every nature, character and description of hourly-rated and salaried Employees which are necessary to operate its Facilities and business . . . . Article 3.1 of the Mining Agreement.

A true and correct copy of the Mining Agreement is attached hereto as Exhibit A and is incorporated herein by reference.

13. Accordingly, because the Minnesota taconite tax is an excise tax imposed on the act of mining and producing taconite, and because Eveleth did not mine or produce taconite, the portion of the State's Claim based upon the Taconite Tax must be disallowed against Eveleth.

B. In the Alternative, if the Court Determines the Taconite Tax is a Property Tax Allowable in the Eveleth Case, It Must be Allowed at \$0 Pursuant to 11 U.S.C. § 502(b)(3).

14. If the Court determines that the State's Claim based upon the Taconite Tax is a valid claim as a property tax against the Eveleth estate, pursuant to § 502(b)(3) of the Bankruptcy Code such Claim must be disallowed to the extent that the Claim exceeds the value of Eveleth's interest in real property.

15. On November 26, 2003, this Court approved the sale by Eveleth of substantially all its assets to United Taconite LLC, pursuant to an Asset Purchase Agreement dated November 12, 2003, as amended. Under the Asset Purchase Agreement, United Taconite LLC paid the Eveleth estate \$3 million in cash and assumed liabilities of \$40 million, substantially all of which were associated with Eveleth's real property. The Asset Purchase Agreement is reflected at Docket No. 127 and the Court's Order approving Eveleth's execution, delivery and performance under the Asset Purchase Agreement is reflected at Docket No. 148.

16. Since Eveleth's real property was burdened by environmental and reclamation obligations in the approximate amount of \$40 million, under § 502(b)(3) of the Bankruptcy Code the State's Claim must be valued at \$0.

17. Pursuant to Local Rule 9013-2(a), this motion is verified and is accompanied by a memorandum of law, a proposed order, and proof of service.

18. Pursuant to Local Rule 9013-2(c), the Committee gives notice that it may, if necessary, call Howard Hilshorst, former President of the Debtors, whose last known business address is c/o of Michael L. Meyer, Ravich Meyer Kirkman McGrath & Nauman, 4545 IDS

Center, 80 South Eighth Street, Minneapolis MN 55402 to testify as to the factual basis of the Motion and David L. Foster, the District Director of the United Steelworkers of America, AFL-CIO, CLC, District 11, 2829 University Avenue, SE, #100, Minneapolis MN 55414.

WHEREFORE, the Committee respectfully requests that the State's Claim be disallowed and expunged, and prays for such other relief as the Court may deem just and equitable.

Dated: November 4, 2004

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Counsel to the Official Committee of Unsecured  
Creditors

**VERIFICATION**

I, Rochelle F. Walk, am the Chairperson of the Official Committee of Unsecured Creditors of Eveleth Mines LLC and Thunderbird Mining Co. Based upon my personal information and belief, I declare under penalty of perjury that the facts set forth in the preceding Motion are true and correct, according to the best of my knowledge, information and belief.

Dated: October 29 \_\_, 2004

Signed: R F Walk

Rochelle F. Walk, Esquire  
Vice President, General Counsel & Secretary  
Oglebay Norton Company  
North Point Tower, 15th Floor  
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Cleveland OH 44114-1151  
Tel: (216) 861-8734  
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Chairperson of the Creditors Committee

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

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In re:

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**MEMORANDUM OF LAW IN SUPPORT OF THE  
MOTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF  
EVELETH MINES LLC AND THUNDERBIRD MINING CO. FOR AN ORDER  
DISALLOWING THE CLAIM OF THE STATE OF MINNESOTA (CLAIM NOS. 96  
AND 111)**

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The Committee of Unsecured Creditors of Eveleth Mines LLC, dba EVTAC Mining, and Thunderbird Mining Co. (the “Committee”) has filed a motion objecting to the Claims of the State of Minnesota, Claim Nos. 96 and 111 (the “Claim”). Since cause exists for disallowing the Claim, the Committee urges the Court to grant the motion.

**FACTS**

The facts set forth in this memorandum are drawn from the Committee’s verified motion.

**DISCUSSION**

A. The Taconite Tax is Not a Property Tax.

The Minnesota taconite tax is a tax imposed upon the mining and production of taconite. The tax is levied on taxable tons and is determined by taking the average tons of taconite produced during the then current year and the previous two production years and multiplying the

average for the three-year period times a tax rate for that tax year.<sup>1</sup> Minn. Stat. §§ 298.24--282 (2000) govern the imposition, assessment, collection and distribution of the taconite production tax. (The tax is hereinafter referred to as the “Taconite Tax”).

The text of the statute enacting the Taconite Tax states that it is imposed on “mining and quarrying and ... upon the production of iron ore ...” Minn. Stat. § 298.24 (2003). Thus, the tax is not a property tax but an excise tax. In fact, the statute says the tax is “in lieu of all other taxes upon . . . the lands in which they [taconite iron sulfides, etc.] are contained . . . .” Minn. Stat. § 298.25.

Pursuant to Article 3.1 of the Mining Agreement, which is attached to the Committee’s Motion as Exhibit A, Eveleth contracted the activity of mining and producing taconite to Thunderbird Mining Company. Thus, Eveleth was not itself conducting mining or taconite production.

Since Eveleth did not engage in the mining of taconite but rather only held an interest in real estate on which those mining operations were conducted, the State may not assert a claim for the Taconite Tax against Eveleth. Accordingly, the portion of the State’s Claim based upon the Taconite Tax must be dismissed. See, e.g., *In re LTV Steel Company, Inc.*, 264 B.R. 455, 476 (Bankr. N. Ohio 2001), where the Court rejected the State’s argument that the Taconite Tax was an ad valorem property tax and characterized the tax as an excise tax on the activity of mining and producing taconite.

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<sup>1</sup> This rate is determined by multiplying the prior year’s rate by the percentage change in the Gross Domestic Product Implicit Price Deflator (“GDPID”) from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. The U.S. Department of Commerce publishes the GDPID monthly.



B. If the Court Determines the Taconite Tax is a Property Tax Properly Allowable Against the Eveleth Estate, It Must Be Allowed in the Amount of \$0 Pursuant to Section 502(b)(3).

Although the question of whether an assessment is a tax and the nature thereof is a matter of federal law, *see LTV supra*, the Minnesota Supreme Court has held that the taconite tax is a property tax. *Erie Mining Co. v. Commissioner of Revenue*, 343 N.W. 2d 261 (Minn. 1984). If the Court finds as a matter of federal law that the Taconite Tax is a property tax allowable as a priority unsecured claim against Eveleth's estate, the State's Claim must be reduced to \$0 inasmuch as Eveleth's real property was subject to reclamation and other environmental liabilities in an amount of \$40 million. See, Section 2.5(a) of the Asset Purchase Agreement dated November 12, 2003, as amended, reflected on the Court's Docket at No. 127.

Section 502(b)(3) of the Bankruptcy Code provides that the court shall allow a claim, "except to the extent that-- . . . (3) if such claim is for a tax assessed against property of the estate, such claim exceeds the value of the interest of the estate in such property." 11 U.S.C. § 502(b)(3). Because Eveleth's real property had negative value at the time of sale to United

Taconite as set forth in the Asset Purchase Agreement, the State's Claim, if it is to be allowed, must be allowed at \$0. *See, e.g., In re Spruill*, 78 B.R. 766, 770 (Bankr. ED.N.C. 1987).

Dated: November 4, 2004

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Counsel to the Official Committee  
of Unsecured Creditors

## EVTAC EMPLOYMENT SERVICES AGREEMENT

THIS AGREEMENT, entered into as of December 23, 1996, by and between Thunderbird Mining Co., formerly known as Oglebay Norton Taconite Company, a Minnesota corporation (hereinafter called the "Employer") and Eveleth Mines LLC, a Minnesota Limited Liability Company (hereinafter called "EVTAC").

### W I T N E S S E T H:

WHEREAS, EVTAC has acquired all of the business assets of Eveleth Mines (the "Facilities") pursuant to the terms of the Eveleth Mines Exit Agreement dated as of November 25, 1996;

WHEREAS, EVTAC is now engaged in the business of mining, processing and pelletizing taconite ore in St. Louis County, Minnesota, known as Eveleth Mines (the "Facilities");

WHEREAS, Thunderbird Mining Company (the "Employer") had previously provided substantially all labor and other employee services necessary to operate the Facilities, including the radio stations;

NOW THEREFORE, in consideration of the premises and mutual agreement of the parties hereinafter set forth, the parties hereto agree as follows;

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## ARTICLE I

### Definitions and Interpretation

Article 1.1. The terms defined at Article 1.6 of this Agreement, wherever used and capitalized herein shall, unless the context otherwise requires, have the meanings set forth Article 1.6, and shall include the singular as well as the plural number.

Article 1.2. Whenever any entity is referred to herein, such reference shall be deemed to include, unless the context shall otherwise require or the definition of any such entity shall otherwise provide, its successors and assigns who become such in accordance with the provisions hereof or any agreement referred to herein. Whenever any agreement or other contractual instrument is referred to herein, such reference shall be deemed to include, unless the context shall otherwise require or the definition of any particular agreement or such other instrument shall otherwise provide, said agreement or other instrument as the same may from time to time be modified, amended, supplemented or extended.

Article 1.3. The captions to the Articles shall not be deemed to be a part of this Agreement.

Article 1.4. Reference to an Article refers to an Article of this Agreement, and the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article or other subdivision. The word "costs" whenever used in this Agreement shall include losses, damages, expenses, taxes, fines, penalties, liabilities and obligations, unless the context clearly requires otherwise.

Article 1.5. Reference to money amounts refers to currency of the United States of America.

Article 1.6. The terms set forth below shall have the following meanings:

"Administration Fee" means the compensation payable to the Employer pursuant to Article 5.1.

"Effective Date" shall be December 23, 1996.

"Employees" means all employees of the Employer.

"Employment Services" shall have the meaning set forth in Article 3.1.

"Hourly Pension Plan" means the Pension Agreement between Oglebay Norton Taconite Company and United Steelworkers of America, effective January 8, 1994, as amended and supplemented by a Settlement Agreement dated \_\_\_\_\_, 1997.

"Hourly Savings Plan" means the IDS Financial Corporation Defined Contribution Prototype Plan established pursuant to an Adoption Agreement by and between Oglebay Norton Taconite Company and IDS Bank & Trust, dated August 5, 1994.

"Indemnification Obligation" means the liability and obligation of the Employer to indemnify, hold harmless, defend and reimburse the Indemnitees pursuant to Article 6.1.

"Indemnitees" means EVTAC and/or any person who serves or has served as an officer or director of EVTAC.

"Salaried Pension Plan" means the Salaried Pension Plan of Oglebay Norton Taconite Company initially established effective January 1, 1968, as amended and restated January 1, 1991.

"Salaried Savings Plan" means the Section 401(k) Profit Sharing Plan established pursuant to an Adoption Agreement by and between Oglebay Norton Taconite Company and Key Trust Company of Ohio, N.A., dated December 15, 1994.

"Services" shall mean all services to be performed by the Employer hereunder.

"Service Costs" means all direct and indirect costs, of every nature and description incurred at any time in any manner by the Employer in connection with or as a result of, the Employer providing Services and otherwise performing its duties and obligations hereunder in good faith (including those pursuant to ARTICLE IV) and the Employer's employment or termination of employment of Employees, including, but not limited to, those incurred in connection with (i) wages, salaries and other compensation paid to Employees, (ii) pension plans, profit-sharing plans, employee unemployment benefit plans and employee benefit and insurance plans and arrangements of every nature and description, (iii) workmen's compensation, (iv) social security, withholding and payroll fees, taxes and assessments, (v) occupational health and safety laws, rules and regulations, (vi) employment laws, rules and regulations, (vii) damages or losses resulting from actions or omissions of Employees of any nature, (viii) property damage, personal injury or death of Employees or other persons (ix) product liability laws or product warranties of any nature, (x) labor agreements, contracts, laws, rules and regulations, (xi) all taxes imposed by Federal, state or local governments (other than federal income taxes attributable to the Employer on its income) and interest and penalties related to taxes, and (xii) the termination of employment of Employees, pursuant to Article 9.3.

## ARTICLE II

### Employees of Thunderbird Mining Co.

Article 2.1. Simultaneously with EVTAC's acquisition of the Facilities, the Employer shall continue to employ all such persons as its own employees except those persons who refuse such employment by the Employer.

Article 2.2. Simultaneously with the employment of the Employees by the Employer as provided in Article 2.1, the Employer shall and hereby does assume and agree to discharge all costs of EVTAC arising on or after the Effective Date in connection with the employment of Employees by the Employer on and after the Effective Date, including, but not limited to, all costs incurred pursuant to the contracts, agreements, plans and employee benefit arrangement listed on Schedule I attached hereto. Thunderbird Mining Co. shall indemnify, hold harmless and defend EVTAC from and against any such costs.

Article 2.3. The Employer shall and hereby does assume and agree to discharge all costs of the employer under the Hourly Pension Plan arising before or after the Effective Date in connection with the employment of employees covered by the Hourly Pension Plan and the Employer shall indemnify, hold harmless and defend EVTAC from and against all such costs. All costs which the Employer agrees to assume and discharge, or with respect to which the Employer agrees to indemnify, hold harmless and defend EVTAC, pursuant to this paragraph, shall be included in Service Costs.

Article 2.4. The Employer shall and hereby does assume and agree to discharge all costs of the employer under the Salaried Pension Plan arising before or after the Effective Date in connection with the employment of Employees covered by the Salaried Pension Plan and the Employer shall indemnify, hold harmless and defend EVTAC from and against all such costs. All costs which the Employer agrees to assume and discharge, or with respect to which the Employer agrees to indemnify, hold harmless and defend the Taconite Company, pursuant to this paragraph, shall be included in the Service Costs.

Article 2.5. The Employer shall and hereby does assume and agree to discharge all costs of the employer under the Hourly Savings Plan arising before or after the Effective Date in connection with the employment of employees covered by the Hourly Savings Plan and the Employer shall indemnify, hold harmless and defend EVTAC from and against all such costs. All costs which the Employer agrees to assume and discharge, or with respect to which the Employer agrees to indemnify, hold harmless and defend EVTAC, pursuant to this paragraph, shall be included in Service Costs.

Article 2.6. The Employer shall and hereby does assume and agree to discharge all costs of the employer under the Salaried Savings Plan arising before or after the Effective Date in connection with the employment of Employees covered by the Salaried Savings Plan and the Employer shall indemnify, hold harmless and defend EVTAC from and against all such costs. All costs which the Employer agrees to assume and discharge, or with respect to which the Employer agrees to indemnify, hold harmless and defend the Taconite Company, pursuant to this paragraph, shall be included in the Service Costs.



### ARTICLE III

#### Labor and Employee Services To be Provided by the Employer

Article 3.1. EVTAC hereby employs the Employer, and the Employer hereby accepts such employment by EVTAC, to provide to EVTAC all labor and manual, clerical, supervisory, technical and professional and administrative services of every nature, character and description of hourly-rated and salaried Employees which are necessary to operate its Facilities and business at the rate of operation and in the manner determined by EVTAC from time to time (such labor and manual, clerical, supervisory, technical and professional and administrative services being referred to as the "Employment Services").

### ARTICLE IV

#### Operation of Radio Stations

Article 4.1. EVTAC hereby employs the Employer, and Employer hereby accepts such employment by EVTAC, to operate for EVTAC all Radio Stations necessary for the operation of its Facilities as determined by EVTAC from time to time (said operation of the Radio Stations by the Employer being referred to as the "Radio Services").

Article 4.2. All authorizations and licenses of all Federal, state or local government bodies and agencies which are required for the operation of the Radio Stations shall be applied for and maintained in the name of the Employer. The Employer shall take all reasonable actions which are necessary and appropriate to obtain all such required authorizations and licenses and each Mining Company shall cooperate with the Employer in this regard. The Employer shall not terminate or transfer any authorization or license for the Radio Stations, except upon written direction of EVTAC.

Article 4.3. EVTAC shall provide to the Employer the use of all radio equipment and related property necessary and appropriate for the operation of the Radio Stations as directed by the Manager. The Employer shall have no obligation to furnish any such equipment or property in connection with the performance of its obligations pursuant to this Article. All radio equipment and related property used by the Employer in connection with the operation of the Radio Stations shall remain the property of the Mining Companies.

## ARTICLE V

### Compensation of the Employer

Article 5.1. As compensation for the Services, EVTAC shall reimburse the Employer in full for Service Costs incurred by the Employer providing such Service to EVTAC. Additionally, EVTAC shall pay to the Employer an Administration Fee equal to Sixty Thousand Dollars (\$60,000) per year, payable in monthly installments of Five Thousand Dollars (\$5,000) each month (the "Administration Fee").

Article 5.2. The Employer on or before the fifth day of each calendar month after the Effective Date shall submit to EVTAC and its Board of Governors, a current estimate showing the estimated Service Costs which will be incurred by the Employer during such calendar month to provide Services to EVTAC and the dates on which such Service Costs will be incurred by the Employer. EVTAC shall pay to the Employer during such calendar month a) the funds necessary to reimburse the Employer in full for such Service Costs and b) the Administrative Fee. Such payments to the Employer shall be made on the date or dates and at the place or places specified by the Employer in such estimate for payment thereof. The Employer may

request reimbursement for Service Costs at such times as the Employer may determine and may request payments sufficiently in advance of the time of the incurring of, or the time for the payment or discharge of, any Service Costs to insure the availability of sufficient funds to the Employer within a reasonable time before such funds are required to pay such Service Costs.

If the Employer is entitled to reimbursement for Service Costs not provided for on such a monthly estimate, the Employer shall promptly furnish a statement thereof to EVTAC giving the maximum period of notice of the amount of such Service Costs for which reimbursement is sought and the date or dates and the place or places payment thereof is requested.

The Employer may include as part of the Service Costs to be paid to it interest on overdue payments due the Employer hereunder from and after the due date thereof at the Applicable Interest Rate.

Article 5.3. As promptly as practicable before the Effective Date and thereafter at least 120 days prior to the beginning of each Fiscal Year, the Employer, in cooperation with the Manager, shall prepare a budget for each Mining Company, first for the balance of the Fiscal Year remaining after the Effective Date, and thereafter for each such Fiscal Year, for Services to be provided to EVTAC. Such budget shall specify all applicable costs included in Service Costs of such Services and shall include reasonably itemized monthly estimates of Service Costs to be incurred by the Employer to provide such Services and details concerning the number and description of Employees necessary to provide such Services. Each such budget shall be submitted to the Manager to be incorporated into the budgets to be submitted by the Manager to each Mining Company for review and approval, and upon such approval, the Employer shall be authorized to provide Services on the basis of such budget. Pending such approval, the

budget as submitted (with such specific revisions, if any, as shall have been approved by EVTAC) shall be in effect. The Employer shall provide Services to EVTAC in accordance with such budget. Actual Service Costs and budget variances shall be reported monthly by the Employer to the Manager.

Article 5.4. The Employer agrees that it will promptly and efficiently discharge the duties herein assumed by it. The Employer shall use its best efforts, skill and judgment to provide Services to EVTAC in accordance with all applicable laws (including all laws, rules and regulations relating to employment practice and occupational health and safety) and the methods and practices customarily used by efficient employers in similar operations.

Article 5.5. All books and records of the Employer shall be open to inspection by EVTAC at all reasonable times. The Employer shall cooperate with EVTAC and permit an annual audit to be made of all transactions hereunder and of its books and records.

## ARTICLE VI

### Indemnification

Article 6.1. In order to induce EVTAC to enter into this Agreement, the Employer agrees to indemnify, hold harmless and defend EVTAC (the "Indemnitee") from and against, and to fully reimburse the Indemnitee for any and all costs to the extent incurred as a result of any dishonest or fraudulent act or omission, or its failure to exercise proper care in the selection, retention and termination of Employees.

## ARTICLE VII

### Term

Article 7.1. The Term of this contract shall be one (1) year from date hereof. It shall annually automatically renew for the next following year unless terminated by either party upon sixty (60) days written notice to the other prior to the then applicable expiration date.

Article 7.2. Upon the termination of the employment of the Employer under this Agreement, EVTAC and the Employer shall enter into such reasonable arrangements as is then mutually agreeable to each of them providing for the transfer of the Employees, and all assignable contract rights and benefits of the Employer related to the employment of the Employees.

In addition, upon termination of the employment of the Employer under this Agreement, EVTAC and the Employer shall also enter into such reasonable arrangement as is then mutually agreeable to each of them providing for the transfer of all authorizations and licenses for the Radio Stations then held by the Employer to EVTAC or its nominee. All costs of any nature or description arising as a result of any such mutually agreeable arrangement or transfer shall be included in Service Costs.

## ARTICLE VIII

### Force Majeure

Article 8.1. If any party is rendered unable wholly or in part by Force Majeure to carry out any obligation hereunder other than the obligation to make money payments, such party shall give to the other parties prompt notice of such Force Majeure with reasonably full particulars thereof, and insofar as known, the probable extent to which it will be unable to perform or be delayed in performing such obligations, whereupon such obligation of the party giving the notice shall be suspended so far as it is affected by such Force Majeure during but not longer than the continuance thereof. The party giving the notice shall use all possible diligence to remove such Force Majeure as quickly as possible.

Article 8.2. The requirement that any Force Majeure shall be remedied with all possible diligence shall not require the settlement of strikes, lockouts or other labor difficulties by the party on terms contrary to its wishes. The basis on which all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

## ARTICLE IX

### General

Article 9.1. Any dispute or difference between the parties or any of them arising out of or in connection with this Agreement or as to the construction hereof or as to the rights or liabilities of any party hereunder shall, in the absence of agreement between the parties to the dispute or difference, be referred to and settled by arbitration, except that no party shall have any arbitration right unless it has paid to the Employer all Service Costs due from it. The Board of Arbitration shall be composed of three arbitrators. If there are only two parties to the dispute or difference then each party shall choose an arbitrator and the third shall be chosen by the two so chosen. If either party to the dispute or difference fails to choose an arbitrator within 30 days after notice of commencement of arbitration or if the two arbitrators fail to choose a third arbitrator within 30 days after both are appointed or if there are more than two parties to the dispute or difference, the Chief Judge for the United States District Court having jurisdiction over the area in which the Facilities are located shall, upon the request of any party to the dispute or difference appoint the arbitrator or arbitrators to constitute or complete the Board as the case may be. The arbitrators shall determine the place of arbitration. Each party to the arbitration shall bear its own legal and other costs of preparing the case and a pro rata share of the costs of arbitration unless the award shall otherwise determine. The arbitration award shall be final and binding upon the parties to such arbitration and judgment thereon without right of appeal may be entered in any court having jurisdiction.

In the event of the failure of the Employer to make any payment of an arbitration award or judgment against it obtained by either or both Mining Companies, the Manager shall make such payment on behalf of the Employer.

Except as expressly provided in this Agreement, no matter expressed in this Agreement (including, but not limited to, the matters referred to in Article 9.3) to be agreed upon by (or determined by or by agreement or decision or consent or approval of) the Mining Companies, the Manager and/or the Employer shall, in the event of failure of agreement, decision, consent or approval, constitute a dispute or difference to be referred to or settled by arbitration proceedings.

Article 9.3. The Employer agrees, to the extent that it may legally do so, to require each of its salaried employees who is employed by the Employer in connection with the Services, in part consideration of his employment, to execute an agreement requiring him to disclose to the Manager any and all inventions and improvements made by him solely or jointly with others during his employment by the Employer and relating to such Services, or to any project, development, research or investigation in progress during his employment, to assign to the Manager, for the benefit of the Mining Companies, upon request his entire right, title and interest in, to and under such invention and applications or letters patent therefor and to execute such patent applications or other documents and to perform such acts as may be necessary to make the agreement effective but without any expense to such employee.



Article 9.4. The Manager agrees that so long as the Employer is employed by EVTAC hereunder it will not Transfer any stock of the Employer.

The Manager agrees that nothing in this Agreement shall diminish its responsibilities for the adequate performance of its duties with respect to staffing and operating the Facilities or relieve the Manager of its other duties pursuant to the Taconite Management Agreement, the Construction and Management Agreement or the Eveleth Mines Management Agreement.

Article 9.5. All notices, consents, approvals, requests, reports and other documents authorized or required to be given pursuant hereto shall be given in writing and either personally served on an officer of the party to whom it is given or mailed by first class mail, postage prepaid, or sent by telex or telegram (confirmed by letter mailed first class the same date) addressed as follows:

If to EVTAC:           Office of the Chairman  
Gary P. Latendresse  
c/o Rouge Steel Company  
3001 Miller Road  
P.O. Box 1699  
Dearborn, Michigan 48121-1699

If to Employer:       Office of the President  
John M. Kokotovich  
EVELETH TACONITE COMPANY  
P.O. Box 180  
Eveleth, MN 55734

A copy of each document given by any party to any other party as provided herein shall also be mailed by first class mail to each of the following Persons at the addresses indicated (or such other address as may be specified by the addressee by written notice to all other addresses in this Article 9.5):

Notice, consents, approvals, requests, reports and other documents shall be deemed given or served or submitted when delivered or, if mailed as provided above, on the fifth day after the day of mailing, or if sent by telex or telegram 24 hours after the time of dispatch. A party may change its address for the receipt of notices, consents, approvals, requests, reports and other documents at any time by giving notice thereof to the other parties. Any notice, consent, approval, request, report or other document given hereunder may be signed on behalf of any party by any duly authorized representative of that party. Any routine reports required by this Agreement to be submitted by any party to other parties at specified times of the year may be sent by first class mail, and if any party which should received said reports pursuant to this Agreement shall fail to receive said reports on time, it shall so notify the sending party, in which event another copy of such report shall be sent promptly by registered or certified first class mail.

Article 9.6. No modification, variation or amendment of this Agreement shall be of any force unless such modification, variation or amendment is in writing and has been signed by all the parties. Any modification, variation or amendment effected in accordance with this Article 9.6 shall be binding upon all the parties and their respective successors and assigns.

Article 9.7. No remedy herein reserved to or conferred upon the parties hereto is intended to be exclusive of any other remedy or remedies and each and every remedy shall, to the extent permitted by law, be cumulative and shall be in addition to every other remedy.

Article 9.8. No waiver of any breach of this Agreement or of any of the terms hereof shall be effective unless such waiver is in writing and signed by the party against whom such waiver is claimed. No waiver of any breach shall be deemed to be a waiver of any other or subsequent breach.

Article 9.9. This Agreement shall be governed by and be construed in accordance with the laws of the State of Minnesota.

Article 9.10. Subject to the provisions hereof, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may not be assigned by the Employer without the written consent of EVTAC.

Article 9.11. It is agreed that all of the covenants and undertakings on the part of the respective parties hereto as set forth in this Agreement are exclusively for the benefit of, and may be enforced only by, the respective parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

EVELETH MINES LLC

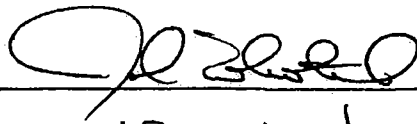
By: 

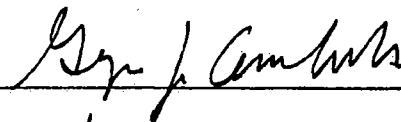
Its: President

Attest: 

Its: Vice President

THUNDERBIRD MINING CO.

By:   
Its: † President

Attest:   
Its: acting Sec.

UNITED STATES BANKRUPTCY COURT FIFTH DISTRICT OF MINNESOTA		PROOF OF CLAIM
Name of Debtor: <b>EVELETH MINES LLC dba EVTAC MINING</b>	Case Number: <b>03-50569</b>	<div style="font-size: 2em; margin: 0;">96</div> <div style="font-size: 0.8em; margin-top: 10px;">THIS SPACE IS FOR COURT USE ONLY</div>
<small>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</small>		
Name of Creditor (The person or entity to whom the debtor owes money or property): <b>State of Minnesota, Department of Revenue</b>	<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Name and address where notices should be sent: <b>Department of Revenue, Collection Division Bankruptcy Section PO Box 64447, Saint Paul MN 55164-0447</b> Telephone number: <b>(651) 296-1901</b>		
Account or other number by which creditor identifies debtor: <b>2880958</b>	Check here if this claim <input type="checkbox"/> replaces <input type="checkbox"/> amends a previously filed claim dated _____	
<div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <b>1. Basis for Claim</b>  <input type="checkbox"/> Goods sold  <input type="checkbox"/> Services performed  <input type="checkbox"/> Money loaned  <input type="checkbox"/> Personal Injury/Wrongful death  <input checked="" type="checkbox"/> Taxes  <input type="checkbox"/> Other _____             </div> <div style="width: 48%;"> <input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a)  <input type="checkbox"/> Wages, salaries, and compensation (fill out below)                  Your SS# _____                  Unpaid compensations for services performed from _____ to _____  <div style="text-align: center;">(date) (date)</div> </div> </div>		
<b>2. Date debt was incurred: see attachment</b>		<b>3. If court judgment, date obtained: see attachment</b>
<b>4. Total Amount of Claim at Time Case Filed: \$8,196,750.21</b> <small>If all or part of your claim is secured or entitled to priority also complete Item 5 or 6 below.</small> <input checked="" type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
<b>5. Secured Claim.</b> <input checked="" type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input checked="" type="checkbox"/> Other <b>SEE ATTACHED</b>  Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: <b>\$0.00</b>	<b>6. Unsecured Priority Claim.</b> <input checked="" type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority <b>\$8,196,750.21</b> Specify the priority of the claim: <input type="checkbox"/> Wages, salaries or commissions (up to \$4,300)* earned not more than 90 days before filing of the bankruptcy petition or cessation of the debtor's business, (whichever is earlier) - 11 U.S.C. § 507(a)(3) <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4) <input type="checkbox"/> Up to \$1,950* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - U.S.C. § 507(a)(6) <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, or child 11 U.S.C. § 507(a)(7) <input checked="" type="checkbox"/> Taxes or penalties of government units - 11 U.S.C. § 507(a)(8) <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). <small>*Amounts are subject to adjustment on 4/1/98 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</small>	
MDOR use only: Unsecured Non-Priority. <b>\$0.00</b>		<div style="font-size: 0.8em;">THIS SPACE IS FOR COURT USE ONLY</div> <div style="margin-top: 50px; font-size: 0.8em;">515 W 1ST ST STE 416 DULUTH, MN 55802-1396</div>
<b>7. Credits:</b> The amount of all payments on this claim has been credited and deducted for the purposes of making this proof of claim. <b>8. Supporting Documents:</b> Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. <b>9. Date-Stamped Copy:</b> To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim form.		
Date <b>September 9, 2003</b>	Sign and print the name and title, if any of the creditor or other person authorized to file this claim (Attach copy of power of attorney if any). <div style="text-align: center;">   <b>Bruce W. Vail</b>  <small>Bruce W. Vail, Revenue Collection Officer</small> </div>	
<small>Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571</small>		

# MINNESOTA · REVENUE

## Proof of Claim Schedule

September 9, 2003

0002009394

Debtor(s): EWELETH MINES LLC dba EVTAC MINING  
 Case Number: 03-50569  
 Chapter: 11  
 Petition Date: 05/01/03

**Totals**  
 Secured: \$0.00  
 Priority: \$8,196,750.21  
 Unsecured: \$0.00  
 Penalty Priority: \$0.00  
 Penalty Unsecured: \$0.00

Identification number	Tax type	Period	Date assessed	Tax	Penalty	Interest	Other*	Total	Class	Comment* (see below)
2880958	State sales tax	12/2002	07/10/03	-437,945.85	0.00	-5,459.31	0.00	-443,405.16	Priority	4
2880958	Taconite Production Tax	12/2002	02/24/03	8,562,739.00	0.00	77,416.37	0.00	8,640,155.37	Priority	4
<b>Total</b>				8,124,793.15	0.00	71,957.06	0.00	8,196,750.21		

\*Other: Additional Tax Charge (ATC) for underpayment of estimated taxes/Credits (refunds, payments, etc.)

Comment: 1. Unknown — return not yet filed, 2. Estimate — assessable but not yet assessed, 3. Estimate — return not yet filed  
 4. See attached documentation, interest is calculated to the petition date.

- Interest and penalty are assessed to the date of petition/conversion for Unsecured Priority and Unsecured Non-priority periods.
- Interest and penalty are assessed to the date of the claim for Secured periods.

MDOR Case Number: MN-05-03-00569

## Notice of Change in Sales and Use Tax

ST-300

EVELETH MINES LLC

Minnesota ID  
2880958Notice Date  
07/10/2003COUNTY RD HIGHWAY  
FORBES MN 55738Period Covered by Report  
07/01/2002 - 12/31/2002Revenue Tax Specialist  
William O'Brien  
(218) 744-7420Appeal/Payment  
Due Date  
09/08/2003

Reduction in Tax	Penalty	Interest	Other	Refund Due
( \$437,945.85)		( \$9,598.81)		( \$447,544.66)

This form shows the change in tax, penalty, and interest for the period shown above. Interest was computed through the notice date.

If you owe additional tax and will be filing an appeal, no payment is required. If you make a payment, mail **Payment Copy** with your payment to the address below. Make your check payable to: MN Department of Revenue, and write your Minnesota ID or Social Security Number on your check. This will ensure that your payment is credited to the proper account. Keep **Taxpayer's Copy** for your records.

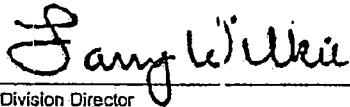
If you are entitled to a refund, that refund may be applied to other taxes you owe. If your refund is more than the tax you owe, you will receive the difference.

If you disagree with this notice, you have 60 days from the notice date to appeal informally to the Department of Revenue or formally to the Minnesota Tax Court.

See attached Appeal Instructions for complete details.

See attached Report - Explanation of Adjustments.

This is an official order of the Commissioner of Revenue determining your tax adjustment for the period stated. This order was made and filed on the date indicated under the authority vested in the Commissioner of Revenue by Minnesota Statutes, Chapters 270, 289A, and 297A.



Division Director

Mail to: Minnesota Department of Revenue  
St. Paul, Minnesota 55146

Sales and Use Tax Division  
Claim(s) for RefundPage 1  
Tax, Penalty, InterestEVELETH MINES LLC  
Minnesota ID 2880958

<u>Schedule</u>	<u>Date Filed</u>	<u>Amount Allowed</u>	<u>Interest *</u>	<u>Total</u>
A: Repair & Replacement Capital Equip Claim	01/31/2003	-437,945.85	-9,598.81	\$-447,544.66
		\$-437,945.85	\$-9,598.81	

Total Amount for Claim(s) for Refund:	\$-447,544.66
Number of Claim(s) for Refund Schedules:	1
* Interest Calculated through 07/10/2003	



## MINNESOTA • REVENUE

February 11, 2003

Mr. Bob Verville  
Treasurer  
EVTAC  
P.O. Box 180  
Eveleth, MN 55734

Dear Mr. Verville:

Determination of the Taconite Production Tax imposed on the production of iron ore concentrate from taconite and iron sulfides by Minnesota Statutes Chapter 298.24 for the calendar year ended on December 31, 2002 has now been made. This determination is based on information contained in your Taconite and Semi-Taconite Tax Report.

The determination is made as follows:

Taxable Production			Taxable 3-Year Avg. Tonnage	Tax Rate	2002 Net Production Tax Liability
2000 (Dry)	2001 (Dry)	2002 (Dry)			
3,850,443	4,159,792	4,204,799	4,071,678	\$2.103	8,562,739
<b>DUE FEBRUARY 24, 2003 (50%): \$4,281,370</b>					

I certify that the amount of tax determined as shown above and the amount shown as "2002 Net Production Tax Liability" are true and correct and are made in accordance with procedures established by the Commissioner of Revenue.

Your company has been authorized to pay on a special delayed payment schedule with interest on the unpaid balance at 5%. Thus, your initial February 24<sup>th</sup> payment will be delayed and paid 2/3 on June 24<sup>th</sup> with the remainder paid with the August 25<sup>th</sup> payment.

Please make remittances to the County Auditors and the L.R.R.B. in the amounts shown on the attached sheet. A separate letter will be sent covering the August 25<sup>th</sup> payment.

Yours truly:

T.W. Schmucker  
Administrative Engineer

Enclosure

TWS:cak

Minerals Tax Office  
612 Pierce St  
Eveleth, MN 55734-1611

Tel: 218-744-7420  
Fax: 218-744-7421  
TDD: 651-297-2196  
An equal opportunity employer

## MINNESOTA Department of Revenue

## Enclosed Bankruptcy Claim

September 9, 2003

0002009594

UNITED STATES BANKRUPTCY COURT  
FIFTH DISTRICT OF MINNESOTA  
515 W 1ST ST STE 416  
DULUTH, MN 55802-1396

RE: **EVELETH MINES LLC dba EVTAC MINING**  
**03-50569**

The Minnesota Department of Revenue is filing a proof of claim and/or administrative expense request in the above named bankruptcy estate. We have enclosed a copy for your records. No response is necessary.

Please find enclosed our claim in the amount of \$8,196,750.21. Please date stamp the copy of our claim (without attachments) and return in the enclosed envelope. Thank you.

**If you have any questions, please call or write the person below.**

**Contact:**  
**Bruce W. Vail**  
**PO Box 64447**  
**Saint Paul, MN 55164-0447**  
**(651) 297-4057**

Fax: (651) 282-2817

Enclosure

# Request for Payment of Minnesota Department of Revenue Taxes

(Bankruptcy Code Cases -  
Administrative Expenses)

US BANKRUPTCY COURT  
FIFTH DISTRICT OF MINNESOTA

In Re: EVELETH MINES LLC dba EVTAC MINING

Chapter 11 Administrative Claim

Case Number 03-50569
Type of Bankruptcy Case 11
Date of Petition 05/01/03
Taxpayer Identification Number: 2880958

THIS SPACE IS FOR  
COURT USE ONLY

State of Minnesota, Department of Revenue,

1. The undersigned, whose business address is Collection Division, Bankruptcy Section, PO Box 64447, Saint Paul, MN 55164-0447, is the agent of the Minnesota Department of Revenue, and is authorized to make this request for payment on behalf of the State of Minnesota.
2. Request is made for payment of taxes and any interest or penalty due under the laws of the State of Minnesota as shown below.
3. The ground of liability is taxes due under the laws of the State of Minnesota.

Tax type	Period	Assessment date	Tax	Penalty	Interest	Other charges	Total	Comments
State sales tax	08/2003	10/14/03	423,865.91	0.00	1,393.53	0.00	425,259.44	1
		<b>Total</b>	423,865.91	0.00	1,393.53	0.00	425,259.44	

1. See attached documentation. Interest accrues at a rate of \$58.06 per day.

The amount due includes interest and penalty computed to October 14, 2003. Interest will accrue at the rate established under Minnesota Statute §270.75 and late payment penalty will be charged as provided by law. If the claim is paid after October 16, 2003 contact the Minnesota Department of Revenue at (651) 296-1901 for the current balance.

Signature <i>Bruce W. Vail</i> Bruce W. Vail	Date October 16, 2003
Title Revenue Collection Officer	Telephone Number (651) 296-1901

## Notice of Change in Sales and Use Tax

ST-300

EVELETH MINES LLC

Minnesota ID  
2880958Notice Date  
10/14/2003COUNTY RD HIGHWAY  
FORBES MN 55738Period Covered by Report  
01/01/2002 - 08/31/2003Revenue Tax Specialist  
William O'Brien  
(218) 744-7420Appeal/Payment  
Due Date  
12/15/2003

Additional Tax	Penalty	Interest	Other	Amount Due
\$454,163.02		\$3,402.66		\$457,565.68

This form shows the change in tax, penalty, and interest for the period shown above. Interest was computed through the notice date.

If you owe additional tax and will be filing an appeal, no payment is required. If you make a payment, mail **Payment Copy** with your payment to the address below. Make your check payable to: MN Department of Revenue, and write your Minnesota ID or Social Security Number on your check. This will ensure that your payment is credited to the proper account. Keep **Taxpayer's Copy** for your records.

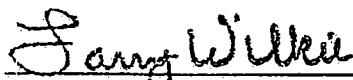
*If you are entitled to a refund*, that refund may be applied to other taxes you owe. If your refund is more than the tax you owe, you will receive the difference.

If you disagree with this notice, you have 60 days from the notice date to appeal informally to the Department of Revenue or formally to the Minnesota Tax Court.

See attached Appeal Instructions for complete details.

See attached Report - Explanation of Adjustments.

*This is an official order of the Commissioner of Revenue determining your tax adjustment for the period stated. This order was made and filed on the date indicated under the authority vested in the Commissioner of Revenue by Minnesota Statutes, Chapters 270, 289A, and 297A.*

  
Division Director

Mail to: Minnesota Department of Revenue  
St. Paul, Minnesota 55146

Sales and Use Tax Division  
Computation of Tax, Penalty, and Interest  
by Period - through 10/14/2003

Tax, Penalty, Interest

EVELETH MINES LLC  
Minnesota ID 2880958

Periods	Tax	Interest	Total
01/01/2002 - 01/31/2002	2,806.79	279.37	3,086.16
02/01/2002 - 02/28/2002	1,985.87	186.99	2,172.86
03/01/2002 - 03/31/2002	2,505.97	221.07	2,727.04
04/01/2002 - 04/30/2002	1,661.72	137.03	1,798.75
05/01/2002 - 05/31/2002	3,759.26	287.67	4,046.93
06/01/2002 - 06/30/2002	4,026.55	284.94	4,311.49
07/01/2002 - 07/31/2002	2,174.68	140.97	2,315.65
08/01/2002 - 08/31/2002	1,516.10	89.27	1,605.37
09/01/2002 - 09/30/2002	1,443.16	76.67	1,519.83
10/01/2002 - 10/31/2002	2,684.26	126.64	2,810.90
11/01/2002 - 11/30/2002	1,069.34	44.30	1,113.64
12/01/2002 - 12/31/2002	1,078.29	39.44	1,117.73
01/01/2003 - 01/31/2003	886.59	28.66	915.25
02/01/2003 - 02/28/2003	621.62	17.71	639.33
03/01/2003 - 03/31/2003	1,599.63	38.79	1,638.42
04/01/2003 - 04/30/2003	477.28	9.61	486.89
<i>Pre Petition</i>			
05/01/2003 - 05/31/2003	0.00	0.00	0.00
<i>Post Petition</i>			
06/01/2003 - 06/30/2003	0.00	0.00	0.00
07/01/2003 - 07/31/2003	0.00	0.00	0.00
08/01/2003 - 08/31/2003	423,865.91	1,393.53	425,259.44
	<u>\$454,163.02</u>	<u>\$3,402.66</u>	<u>\$457,565.68</u>
		Amount Due:	<u><u>\$457,565.68</u></u>

**Sales and Use Tax Audit Report  
Explanation of Adjustments**

ST-310C

EVELETH MINES LLC

Minnesota ID  
2880958Notice Date  
10/14/2003COUNTY RD HIGHWAY  
FORBES MN 55738Period Covered by Audit  
01/01/2002 - 08/31/2003Revenue Tax Specialist  
William O'Brien  
(218) 744-7420Additional Tax (From Exhibit I) **\$454,163.02**

Based on an examination of your records, we have made adjustments for the periods shown above.

We identified purchases that should have been included in the taxable amount on your sales and use tax returns. See Schedules A,B,C & D for a list of these purchases. (M.S. 297A.73 and/or M.S. 297A.63) (Prior to 07/01/01, M.S. 297A.12 and/or M.S. 297A.14)

Minnesota sales and use tax law is governed by Minnesota Statutes, Chapter 297A (M.S. 297A) and Minnesota Rules Chapter 8130. Statute cites or Rule references appear in parentheses whenever an item is defined as taxable or is specifically exempt under Statute or Rule. We also listed cites to tax administration and compliance law (M.S. 289A)

For more specific information on each item, refer to the reason code (Rsn Code) column on each schedule. The following explanations correspond to the numbered reason codes:

- 222 Effective January 1, 2002, charges for delivery billed by the seller, including postage, transportation, shipping, handling, and both incoming and outgoing freight, are taxable if the items purchased are taxable. (M.S. 297A.61, Subd. 7)
- 901 This monthly total is from a one hundred percent review of direct charge purchases for the audit period. The list of exceptions by month for the audit period can be found in schedule A1.
- 903 This amount represents the total of taxable items in inventory that tax has not been paid on. Tax would have been assessed when the items were removed from inventory but because of the bankruptcy filing they became subject to the tax now.

We calculated interest from the date the tax was due to the notice date. The chart below shows the interest rate by period. (M.S. 289A.55) (Prior to 08/01/1990, M.S. 270.75)

PERIOD	RATE
01/2002 - 12/2002	7%
01/2003 - 12/2003	5%

The adjustments in this audit are based on the laws in effect during the audit period and should not be considered a comprehensive list of sales and use tax issues that affect your business. Subsequent statutory changes and court decisions could affect the tax treatment of similar transactions. Because efforts were made to efficiently identify significant sales and use tax issues that affect your business, it is possible that your business records could contain sales and use tax issues not addressed in this audit.

**ATTACHMENTS**

Exhibit I - Computation and Summary of Tax by Period  
Exhibit II - Calculation of Change in Tax  
Computation of Tax, Penalty, and Interest  
Schedule A - Total Monthly Direct Charge Exceptions  
Schedule B - Total Monthly Inventory Exceptions

EVELETH MINES LLC  
Minnesota ID 2880958

Page 2  
ST-310C

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Schedule C - Total Monthly Taxable Transportation Exception

Schedule D - Remaining Taxable Inventory After Bankruptcy

- End of ST-310C -

**Sales and Use Tax Division**  
**Computation and Summary of Tax by Period**

EVELETH MINES LLC  
 Minnesota ID 2880958

Periods	Schedule A	Schedule B	Schedule C	Schedule D	Period Total
01/01/2002 - 01/31/2002	961.09	1,347.69	498.01	0.00	2,806.79
02/01/2002 - 02/28/2002	0.00	1,186.65	799.22	0.00	1,985.87
03/01/2002 - 03/31/2002	72.16	1,765.21	668.60	0.00	2,505.97
04/01/2002 - 04/30/2002	87.84	577.82	996.06	0.00	1,661.72
05/01/2002 - 05/31/2002	1,137.52	1,554.91	1,066.83	0.00	3,759.26
06/01/2002 - 06/30/2002	1,266.95	877.52	1,882.08	0.00	4,026.55
07/01/2002 - 07/31/2002	414.18	914.61	845.89	0.00	2,174.68
08/01/2002 - 08/31/2002	260.04	691.12	564.94	0.00	1,516.10
09/01/2002 - 09/30/2002	1,190.24	-822.05	1,074.97	0.00	1,443.16
10/01/2002 - 10/31/2002	552.34	1,214.01	917.91	0.00	2,684.26
11/01/2002 - 11/30/2002	140.93	704.48	223.93	0.00	1,069.34
12/01/2002 - 12/31/2002	39.86	132.23	906.20	0.00	1,078.29
01/01/2003 - 01/31/2003	85.06	361.94	439.59	0.00	886.59
02/01/2003 - 02/28/2003	76.64	46.62	498.36	0.00	621.62
03/01/2003 - 03/31/2003	109.20	24.96	1,465.47	0.00	1,599.63
04/01/2003 - 04/30/2003	173.61	1.55	302.12	0.00	477.28
05/01/2003 - 05/31/2003	0.00	0.00	0.00	0.00	0.00
06/01/2003 - 06/30/2003	0.00	0.00	0.00	0.00	0.00
07/01/2003 - 07/31/2003	0.00	0.00	0.00	0.00	0.00
08/01/2003 - 08/31/2003	0.00	0.00	0.00	423,865.91	423,865.91
	<u>\$6,567.66</u>	<u>\$10,579.27</u>	<u>\$13,150.18</u>	<u>\$423,865.91</u>	<u>\$454,163.02</u>
				Net Change in Tax:	<u>\$454,163.02</u>



Sales and Use Tax Division  
Calculation of Change in TaxEVELETH MINES LLC  
Minnesota ID 2880958

## Schedule A: Total Monthly Direct Charge Exceptions

Number of Entries:	16	01/01/2002 - 08/31/2003	101,041.07	@	6.50% =	6,567.66
Schedule Number of Entries:	16		\$101,041.07			\$6,567.66

## Schedule B: Total Monthly Inventory Exceptions

Number of Entries:	16	01/01/2002 - 08/31/2003	162,758.15	@	6.50% =	10,579.27
Schedule Number of Entries:	16		\$162,758.15			\$10,579.27

## Schedule C: Total Monthly Taxable Transportation Exception

Number of Entries:	16	01/01/2002 - 08/31/2003	202,310.43	@	6.50% =	13,150.18
Schedule Number of Entries:	16		\$202,310.43			\$13,150.18

## Schedule D: Remaining Taxable Inventory After Bankruptcy

Number of Entries:	1	01/01/2002 - 08/31/2003	6,521,013.97	@	6.50% =	423,865.91
Schedule Number of Entries:	1		\$6,521,013.97			\$423,865.91

Report Totals: 49

	\$6,987,123.62		\$454,163.02
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[illegible]

October 16, 2003

0002009594

RE: **EVELETH MINES LLC dba EVTAC MINING**  
**03-50569**

(1) Please find enclosed our Administrative claim in the amount of \$425,259.44


Please date stamp the copies of our claims (without attachments) and return in the enclosed envelope. Thank you.

If you have any questions, please call or write the person below.

**Contact:**  
**Bruce W. Vail**  
**PO Box 64447**  
**Saint Paul, MN 55164-0447**  
**(651) 297-4057**

Fax: (651) 282-2817

Enclosure

UNITED STATES BANKRUPTCY COURT		FIFTH DISTRICT OF MINNESOTA	PROOF OF CLAIM
Name of Debtor: EVELETH MINES LLC dba EVTAC MINING		Case Number: 03-50569	
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" of payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.			
Name of Creditor (The person or entity to whom the debtor owes money or property.) State of Minnesota, Department of Revenue		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the Bankruptcy Court in this case. <input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Name and address where notices should be sent Department of Revenue, Collection Division Bankruptcy Section PO Box 64447, Saint Paul MN 55164-0447 Telephone number (651) 296-1901			
Account or other number by which creditor identifies debtor 2880958		Check here if this claim replaces <input type="checkbox"/> amends a previously filed claim dated 09/09/03. 1 <sup>st</sup> Amended	
<b>1. Basis for Claim</b> <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input checked="" type="checkbox"/> Taxes <input type="checkbox"/> Other _____ <input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries, and compensation (Fill out below) Your SS#: _____ Unpaid compensations for services performed from _____ to _____ (date) (date)			
<b>2. Date debt was incurred:</b> see attachment		<b>3. If court judgment, date obtained:</b> see attachment	
<b>4. Total Amount of Claim at Time Case Filed:</b> \$8,228,317.60 If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below. <input checked="" type="checkbox"/> Check this box if claim included interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges			
<b>5. Secured Claim.</b> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of collateral <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Amount of any arrearage and other charges at time case filed included in secured claim, if any: \$0.00 MDOR use only Unsecured Non-Priority: \$0.00		<b>6. Unsecured Priority Claim</b> <input checked="" type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority: \$8,228,317.60 <input type="checkbox"/> Wages, salaries or commissions (up to \$4,300), within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507 (a)(3) <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507 (a)(4) <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, or child 11 U.S.C. § 507(a)(7) <input checked="" type="checkbox"/> Taxes or penalties of government units - 11 U.S.C. § 507(a)(8) <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a) <i>Amounts are subject to adjustment on 4/1/98 and every 3 years thereafter with respect to cases commenced on or after the date of commencement.</i>	
<b>7. Credits:</b> The amount of all payments on this claim has been credited and deducted for the purposes of making this proof of claim. In filing this claim, claimant has deducted all amounts that claimant owes to debtor.		THIS SPACE IS FOR COURT USE ONLY	
<b>8. Supporting Documents:</b> Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.			
<b>9. Date-Stamped Copy:</b> To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim form.			
Date October 16, 2003	Sign and print the name and title, if any of the Creditor or other person authorized to file this claim (attach copy of power of attorney, if any).  Bruce W. Vail Bruce W. Vail, Revenue Collection Officer		
515 W 1ST ST STE 416 DULUTH, MN 55802-1396			
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571			

# MINNESOTA Department of Revenue

## Proof of Claim Schedule

October 16, 2003

0002009594

Debtor(s): EVELETH MINES LLC dba  
 EVTAC MINING  
 Case Number: 03-50569  
 Chapter: 11 1st Amended  
 Petition Date: 05/01/03

### Totals

Secured: \$0.00  
 Priority: \$8,228,317.60  
 Unsecured: \$0.00  
 Penalty Priority: \$0.00  
 Penalty Unsecured: \$0.00

Identification number	Tax type	Period	Date assessed	Tax	Penalty	Interest	Other*	Total	Class	Comment* (see below)
2880958	State sales tax	04/2003	10/14/03	30,297.11	0.00	1,270.28	0.00	31,567.39	Priority	4
2880958	State sales tax	12/2002	07/10/03	-437,945.85	0.00	-5,459.31	0.00	-443,405.16	Priority	4
2880958	Taconite Production Tax	12/2002	02/24/03	8,562,739.00	0.00	77,416.37	0.00	8,640,155.37	Priority	4
				<b>Total</b>	0.00	73,227.34	0.00	8,228,317.60		

\*Other: Additional Tax Charge (ATC) for underpayment of estimated taxes/Credits (refunds, payments, etc.)

Comment: 1. Unknown — return not yet filed, 2. Estimate — assessable but not yet assessed, 3. Estimate — return not yet filed  
 4. See attached documentation, interest is calculated to the petition date.

- Interest and penalty are assessed to the date of petition/conversion for Unsecured Priority and Unsecured Non-priority periods.
- Interest and penalty are assessed to the date of the claim for Secured periods.

MDOR Case Number: MN-05-03-00569

## Notice of Change in Sales and Use Tax

ST-300

EVELETH MINES LLC

Minnesota ID  
2880958Notice Date  
10/14/2003COUNTY RD HIGHWAY  
FORBES MN 55738Period Covered by Report  
01/01/2002 - 08/31/2003Revenue Tax Specialist  
William O'Brien  
(218) 744-7420Appeal/Payment  
Due Date  
12/15/2003

Additional Tax	Penalty	Interest	Other	Amount Due
\$454,163.02		\$3,402.66		\$457,565.68

This form shows the change in tax, penalty, and interest for the period shown above. Interest was computed through the notice date.

If you owe additional tax and will be filing an appeal, no payment is required. If you make a payment, mail **Payment Copy** with your payment to the address below. Make your check payable to: MN Department of Revenue, and write your Minnesota ID or Social Security Number on your check. This will ensure that your payment is credited to the proper account. Keep **Taxpayer's Copy** for your records.

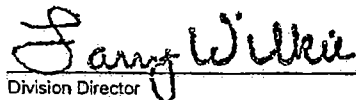
If you are entitled to a refund, that refund may be applied to other taxes you owe. If your refund is more than the tax you owe, you will receive the difference.

If you disagree with this notice, you have 60 days from the notice date to appeal informally to the Department of Revenue or formally to the Minnesota Tax Court.

See attached Appeal Instructions for complete details.

See attached Report - Explanation of Adjustments.

*This is an official order of the Commissioner of Revenue determining your tax adjustment for the period stated. This order was made and filed on the date indicated under the authority vested in the Commissioner of Revenue by Minnesota Statutes, Chapters 270, 289A, and 297A.*

  
Division Director

Mail to: Minnesota Department of Revenue  
St. Paul, Minnesota 55146

Sales and Use Tax Division  
Computation of Tax, Penalty, and Interest  
by Period - through 10/14/2003

Tax, Penalty, Interest

EVELETH MINES LLC  
Minnesota ID 2880958

Periods	Tax		Interest	Total
01/01/2002 - 01/31/2002	2,806.79		279.37	3,086.16
02/01/2002 - 02/28/2002	1,985.87		186.99	2,172.86
03/01/2002 - 03/31/2002	2,505.97		221.07	2,727.04
04/01/2002 - 04/30/2002	1,661.72		137.03	1,798.75
05/01/2002 - 05/31/2002	3,759.26		287.67	4,046.93
06/01/2002 - 06/30/2002	4,026.55		284.94	4,311.49
07/01/2002 - 07/31/2002	2,174.68		140.97	2,315.65
08/01/2002 - 08/31/2002	1,516.10		89.27	1,605.37
09/01/2002 - 09/30/2002	1,443.16		76.67	1,519.83
10/01/2002 - 10/31/2002	2,684.26		126.64	2,810.90
11/01/2002 - 11/30/2002	1,069.34		44.30	1,113.64
12/01/2002 - 12/31/2002	1,078.29		39.44	1,117.73
01/01/2003 - 01/31/2003	886.59		28.66	915.25
02/01/2003 - 02/28/2003	621.62		17.71	639.33
03/01/2003 - 03/31/2003	1,599.63	<i>Pre Petition</i>	38.79	1,638.42
04/01/2003 - 04/30/2003	477.28		9.61	486.89
05/01/2003 - 05/31/2003	0.00	<i>Post Petition</i>	0.00	0.00
06/01/2003 - 06/30/2003	0.00		0.00	0.00
07/01/2003 - 07/31/2003	0.00		0.00	0.00
08/01/2003 - 08/31/2003	423,865.91		1,393.53	425,259.44
	<u>\$454,163.02</u>		<u>\$3,402.66</u>	<u>\$457,565.68</u>
			Amount Due:	<u><u>\$457,565.68</u></u>

**Sales and Use Tax Audit Report  
Explanation of Adjustments**

ST-310C

EVELETH MINES LLC

Minnesota ID  
2880958Notice Date  
10/14/2003COUNTY RD HIGHWAY  
FORBES MN 55738Period Covered by Audit  
01/01/2002 - 08/31/2003Revenue Tax Specialist  
William O'Brien  
(218) 744-7420Additional Tax (From Exhibit I) **\$454,163.02**

Based on an examination of your records, we have made adjustments for the periods shown above.

We identified purchases that should have been included in the taxable amount on your sales and use tax returns. See Schedules A,B,C & D for a list of these purchases. (M.S. 297A.73 and/or M.S. 297A.63) (Prior to 07/01/01, M.S. 297A.12 and/or M.S. 297A.14)

Minnesota sales and use tax law is governed by Minnesota Statutes, Chapter 297A (M.S. 297A) and Minnesota Rules Chapter 8130. Statute cites or Rule references appear in parentheses whenever an item is defined as taxable or is specifically exempt under Statute or Rule. We also listed cites to tax administration and compliance law (M.S. 289A)

For more specific information on each item, refer to the reason code (Rsn Code) column on each schedule. The following explanations correspond to the numbered reason codes:

- 222 Effective January 1, 2002, charges for delivery billed by the seller, including postage, transportation, shipping, handling, and both incoming and outgoing freight, are taxable if the items purchased are taxable. (M.S. 297A.61, Subd. 7)
- 901 This monthly total is from a one hundred percent review of direct charge purchases for the audit period. The list of exceptions by month for the audit period can be found in schedule A1.
- 903 This amount represents the total of taxable items in inventory that tax has not been paid on. Tax would have been assessed when the items were removed from inventory but because of the bankruptcy filing they became subject to the tax now.

We calculated interest from the date the tax was due to the notice date. The chart below shows the interest rate by period. (M.S. 289A.55) (Prior to 08/01/1990, M.S. 270.75)

PERIOD	RATE
01/2002 - 12/2002	7%
01/2003 - 12/2003	5%

The adjustments in this audit are based on the laws in effect during the audit period and should not be considered a comprehensive list of sales and use tax issues that affect your business. Subsequent statutory changes and court decisions could affect the tax treatment of similar transactions. Because efforts were made to efficiently identify significant sales and use tax issues that affect your business, it is possible that your business records could contain sales and use tax issues not addressed in this audit.

**ATTACHMENTS**

Exhibit I - Computation and Summary of Tax by Period  
Exhibit II - Calculation of Change in Tax  
Computation of Tax, Penalty, and Interest  
Schedule A - Total Monthly Direct Charge Exceptions  
Schedule B - Total Monthly Inventory Exceptions

Schedule C - Total Monthly Taxable Transportation Exception

Schedule D - Remaining Taxable Inventory After Bankruptcy

- End of ST-310C -



**Sales and Use Tax Division**  
**Computation and Summary of Tax by Period**

EVELETH MINES LLC  
 Minnesota ID 2880958

Periods	Schedule A	Schedule B	Schedule C	Schedule D	Period Total
01/01/2002 - 01/31/2002	961.09	1,347.69	498.01	0.00	2,806.79
02/01/2002 - 02/28/2002	0.00	1,186.65	799.22	0.00	1,985.87
03/01/2002 - 03/31/2002	72.16	1,765.21	668.60	0.00	2,505.97
04/01/2002 - 04/30/2002	87.84	577.82	996.06	0.00	1,661.72
05/01/2002 - 05/31/2002	1,137.52	1,554.91	1,066.83	0.00	3,759.26
06/01/2002 - 06/30/2002	1,266.95	877.52	1,882.08	0.00	4,026.55
07/01/2002 - 07/31/2002	414.18	914.61	845.89	0.00	2,174.68
08/01/2002 - 08/31/2002	260.04	691.12	564.94	0.00	1,516.10
09/01/2002 - 09/30/2002	1,190.24	-822.05	1,074.97	0.00	1,443.16
10/01/2002 - 10/31/2002	552.34	1,214.01	917.91	0.00	2,684.26
11/01/2002 - 11/30/2002	140.93	704.48	223.93	0.00	1,069.34
12/01/2002 - 12/31/2002	39.86	132.23	906.20	0.00	1,078.29
01/01/2003 - 01/31/2003	85.06	361.94	439.59	0.00	886.59
02/01/2003 - 02/28/2003	76.64	46.62	498.36	0.00	621.62
03/01/2003 - 03/31/2003	109.20	24.96	1,465.47	0.00	1,599.63
04/01/2003 - 04/30/2003	173.61	1.55	302.12	0.00	477.28
05/01/2003 - 05/31/2003	0.00	0.00	0.00	0.00	0.00
06/01/2003 - 06/30/2003	0.00	0.00	0.00	0.00	0.00
07/01/2003 - 07/31/2003	0.00	0.00	0.00	0.00	0.00
08/01/2003 - 08/31/2003	0.00	0.00	0.00	423,865.91	423,865.91
	\$6,567.66	\$10,579.27	\$13,150.18	\$423,865.91	\$454,163.02
				Net Change in Tax:	\$454,163.02

Sales and Use Tax Division  
Calculation of Change in TaxPage 1  
Exhibit IIEVELETH MINES LLC  
Minnesota ID 2880958

## Schedule A: Total Monthly Direct Charge Exceptions

Number of Entries:	16	01/01/2002 - 08/31/2003	101,041.07	@	6.50 % =	6,567.66
Schedule Number of Entries:	16		\$101,041.07			\$6,567.66

## Schedule B: Total Monthly Inventory Exceptions

Number of Entries:	16	01/01/2002 - 08/31/2003	162,758.15	@	6.50 % =	10,579.27
Schedule Number of Entries:	16		\$162,758.15			\$10,579.27

## Schedule C: Total Monthly Taxable Transportation Exception

Number of Entries:	16	01/01/2002 - 08/31/2003	202,310.43	@	6.50 % =	13,150.18
Schedule Number of Entries:	16		\$202,310.43			\$13,150.18

## Schedule D: Remaining Taxable Inventory After Bankruptcy

Number of Entries:	1	01/01/2002 - 08/31/2003	6,521,013.97	@	6.50 % =	423,865.91
Schedule Number of Entries:	1		\$6,521,013.97			\$423,865.91

Report Totals:	49		<u>\$6,987,123.62</u>			<u>\$454,163.02</u>
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## Notice of Change in Sales and Use Tax

ST-300

EVELETH MINES LLC

Minnesota ID  
2880958Notice Date  
07/10/2003COUNTY RD HIGHWAY  
FORBES MN 55738Period Covered by Report  
07/01/2002 - 12/31/2002Revenue Tax Specialist  
William O'Brien  
(218) 744-7420Appeal/Payment  
Due Date  
09/08/2003

Reduction In Tax	Penalty	Interest	Other	Refund Due
( \$437,945.85)		( \$9,598.81)		( \$447,544.66)

This form shows the change in tax, penalty, and interest for the period shown above. Interest was computed through the notice date.

If you owe additional tax and will be filing an appeal, no payment is required. If you make a payment, mail Payment Copy with your payment to the address below. Make your check payable to: MN Department of Revenue, and write your Minnesota ID or Social Security Number on your check. This will ensure that your payment is credited to the proper account. Keep Taxpayer's Copy for your records.

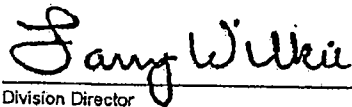
*If you are entitled to a refund, that refund may be applied to other taxes you owe. If your refund is more than the tax you owe, you will receive the difference.*

If you disagree with this notice, you have 60 days from the notice date to appeal informally to the Department of Revenue or formally to the Minnesota Tax Court.

See attached Appeal Instructions for complete details.

See attached Report - Explanation of Adjustments.

*This is an official order of the Commissioner of Revenue determining your tax adjustment for the period stated. This order was made and filed on the date indicated under the authority vested in the Commissioner of Revenue by Minnesota Statutes, Chapters 270, 289A, and 297A.*

  
Division Director

Mail to: Minnesota Department of Revenue  
St. Paul, Minnesota 55146

Sales and Use Tax Division  
Claim(s) for Refund

Tax, Penalty, Interest

EVELETH MINES LLC  
Minnesota ID 2880958

<u>Schedule</u>	<u>Date Filed</u>	<u>Amount Allowed</u>	<u>Interest *</u>	<u>Total</u>
A: Repair & Replacement Capital Equip Claim	01/31/2003	-437,945.85	-9,598.81	\$-447,544.66
		\$-437,945.85	\$-9,598.81	

Total Amount for Claim(s) for Refund: \$-447,544.66  
Number of Claim(s) for Refund Schedules: 1  
\* Interest Calculated through 07/10/2003

# MINNESOTA REVENUE

February 11, 2003

Mr. Bob Verville  
Treasurer  
EVTAC  
P.O. Box 180  
Eveleth, MN 55734

Dear Mr. Verville:

Determination of the Taconite Production Tax imposed on the production of iron ore concentrate from taconite and iron sulfides by Minnesota Statutes Chapter 298.24 for the calendar year ended on December 31, 2002 has now been made. This determination is based on information contained in your Taconite and Semi-Taconite Tax Report.

The determination is made as follows:

Taxable Production			Taxable 3-Year Avg. Tonnage	Tax Rate	2002 Net Production Tax Liability
2000 (Dry)	2001 (Dry)	2002 (Dry)			
3,850,443	4,159,792	4,204,799	4,071,678	\$2.103	8,562,739
<b>DUE FEBRUARY 24, 2003 (50%): \$4,281,370</b>					

I certify that the amount of tax determined as shown above and the amount shown as "2002 Net Production Tax Liability" are true and correct and are made in accordance with procedures established by the Commissioner of Revenue.

Your company has been authorized to pay on a special delayed payment schedule with interest on the unpaid balance at 5%. Thus, your initial February 24<sup>th</sup> payment will be delayed and paid 2/3 on June 24<sup>th</sup> with the remainder paid with the August 25<sup>th</sup> payment.

Please make remittances to the County Auditors and the L.R.R.B. in the amounts shown on the attached sheet. A separate letter will be sent covering the August 25<sup>th</sup> payment.

Yours truly:

T.W. Schmucker  
Administrative Engineer

Enclosure

TWS:cak

Minerals Tax Office  
612 Pierce St  
Eveleth, MN 55734-1611

Tel: 218-744-7420  
Fax: 218-744-7421  
TDD: 651-297-2196  
An equal opportunity employer

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

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In Re:

EVELETH MINES LLC,  
d/b/a EVTAC MINING,  
THUNDERBIRD MINING CO.,

Chapter 11  
BKY Case No. 03-50569 (GFK)

BKY 03-50641 (GFK)  
Jointly Administered

Debtors.

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**UNSWORN CERTIFICATE OF SERVICE**

---

I, Sherry M. Grampre, state under penalty of perjury that I am a legal administrative assistant in the office of Rider Bennett, LLP, 333 South Seventh Street, Suite 2000, Minneapolis, Minnesota 55402, and that on the 4th day of November, 2004, I made service of the following documents:

1. Motion of the Official Committee of Unsecured Creditors of Eveleth Mines LLC and Thunderbird Mining Co. for an Order Disallowing the Claim of the State of Minnesota (Claim Nos. 96 and 111);
2. Verification;
3. Memorandum of Law in Support of the Motion; and
4. Order.

on the party(s) listed below, by messenger to said party(s) a copy thereof, directed to the following:

Michael L. Meyer, Esq.  
Ravich Meyer Kirkman McGrath &  
Nauman, P.A.  
80 South Eighth Street  
Suite 4545  
Minneapolis, MN 55402-2225

Minnesota Department of Revenue  
Collection Enforcement  
Bankruptcy Section  
600 North Robert Street  
St. Paul, MN 55101

Michael Fadlovich  
United States Trustee  
1015 U.S. Courthouse  
300 South Fourth Street  
Minneapolis, MN 55415

Dated: November 4, 2004

e/Sherry M. Grampre

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

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In re:

Chapter 11

EVELETH MINES LLC,  
d/b/a EVTAC MINING,  
THUNDERBIRD MINING CO.,

Bky. 03-50569 (GFK)

Bky. 03-50641 (GFK)  
Jointly Administered

Debtors.

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**ORDER DISALLOWING THE CLAIM OF THE STATE OF MINNESOTA  
AGAINST EVELETH MINES, LLC  
(CLAIM NOS. 96 AND 111)**

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The Motion to of the Committee of Unsecured Creditors objecting to Claim Nos. 96 and 111 filed by the State of Minnesota came on for hearing before the undersigned on \_\_\_\_\_, 2004. Appearances, if any, are noted on the record.

Based upon the arguments of counsel, all of the files, records and proceedings herein, the Court being advised in the premises, and the Court's Findings of Fact and Conclusions of Law, if any, having been stated orally and recorded in open court following the close of evidence:

IT IS HEREBY ORDERED THAT:

1. Claim Nos. 96 and 111 are hereby disallowed to the extent that such claims are based upon the Minnesota Taconite Tax. Minn. Stat. § 298.24.

Dated: \_\_\_\_\_, 2004

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The Honorable Gregory F. Kishel  
United States Bankruptcy Judge